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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,	)	CR No. 02-
	)	
Plaintiff,	)	<u>I N F O R M A T I O N</u>
	)	
v.	)	[15 U.S.C. §§ 78m(a), 78ff and
	)	17 C.F.R. §§ 240.12b-20,
PETER BROMBERG,	)	240.13a-1: False Statements in
	)	a Report Filed with the SEC]
Defendant.	)	
	)	
	)	
	)	
	)	

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The United States Attorney charges:

COUNT ONE

[15 U.S.C. §§ 78m(a), 78ff; 17 C.F.R. §§ 240.12b-20, 240.13a-1]  
[False Statement in a Report Filed with the SEC]

INTRODUCTION

1. At all times relevant to this Information:

a. Motorcar Parts & Accessories, Inc. ("MPA") was a remanufacturer of automotive alternators and starters. MPA was a corporation with headquarters in Torrance, California.

b. Defendant PETER BROMBERG ("BROMBERG") was Chief Financial Officer of MPA from 1994 until May 1999.

EL:el

1 c. Richard A. Eisner & Company, LLP ("Eisner LLP")  
2 was an accounting firm which was retained by MPA as its  
3 independent public accountants to audit MPA's annual financial  
4 statements. Eisner LLP served as MPA's accountants and audited  
5 MPA's annual financial statements as of and for each of the  
6 fiscal years ended March 31, 1992 through 1998. On March 1,  
7 2000, MPA dismissed Eisner LLP as its independent accountants.

8 Required Record Keeping, Internal Controls,  
9 and Financial Disclosures

10 2. In November 1994, MPA made an initial public offering  
11 of its stock. MPA's common stock was registered with the United  
12 States Securities and Exchange Commission ("SEC") and was  
13 publicly traded on the National Association of Securities Dealers  
14 Automated Quotation ("NASDAQ") system, which subjected MPA to  
15 certain reporting requirements imposed under federal law.

16 3. In order to sell securities to members of the public  
17 and to maintain public trading of its securities, MPA was  
18 required to comply with SEC regulations designed to ensure that  
19 the company's financial information was accurately recorded and  
20 disclosed to the investing public.

21 4. Under these SEC regulations, MPA had a duty to, among  
22 other things, file with the SEC annual financial statements,  
23 prepared according to rules and regulations prescribed by the SEC  
24 and audited by an independent public accountant, that accurately  
25 presented MPA's financial condition and results of its business  
26 operations in accordance with generally accepted accounting  
27 principles (also known as "GAAP").  
28

1                   Overview of the Fraudulent Scheme

2           5.     Defendant BROMBERG directed MPA employees to engage in  
3 fraudulent accounting practices and to falsify MPA's books and  
4 records, thereby causing false and misleading statements to be  
5 made to the investing public about MPA's revenues, net sales,  
6 cost of goods sold, income before income taxes, assets, financial  
7 condition, and accounting practices.

8                   MPA's Relevant Accounting Principles

9           6.     MPA obtained a significant portion of used alternator  
10 and starter units, commonly known as cores, for its  
11 remanufacturing operations from its customers as returns, or  
12 trade-ins.

13          7.     MPA had two primary classes of trade-ins from  
14 customers. The first class, core trade-ins, consisted of used  
15 products to be remanufactured and reflected a purchase of raw  
16 material to be used in the remanufacturing process. The other  
17 class, product trade-ins, consisted of already remanufactured  
18 goods, that is, warranty or defect returns.

19          8.     Under GAAP, the rules and regulations of the SEC, and  
20 MPA's own publicly stated accounting policies for the fiscal  
21 years ended March 31, 1997 and March 31, 1998:

22               a.   A credit was to be recorded when a core was  
23 returned from a customer;

24               b.   Net sales were to be reduced by product trade-ins  
25 and other deductions and allowances; and

26               c.   Core trade-ins were to be included in the cost of  
27 goods sold.

28          9.     When a customer returned trade-ins to MPA, MPA was to

1 check the returned goods into inventory and post a credit to that  
2 customer's account receivable.

3 10. To the extent that MPA received and checked into  
4 inventory a return of trade-ins from a customer but had not yet  
5 issued a credit to that customer's account receivable for this  
6 return, MPA was required to reserve an amount equal to the value  
7 of the returned goods.

8 a. The total amount of the reserve for returned core  
9 trade-ins that had been checked into inventory, but for which the  
10 corresponding credits had not yet been processed, was to be added  
11 to the total amount of processed credits for core trade-ins  
12 during the same reporting period, and these processed and  
13 unprocessed credits for core trade-ins were to be included in  
14 cost of goods sold.

15 b. The total amount of the reserve for returned  
16 product trade-ins that had been checked into inventory, but for  
17 which the corresponding credits had not yet been processed, was  
18 to be added to the total amount of processed credits for product  
19 trade-ins during the same reporting period, and net sales were to  
20 be reduced by these processed and unprocessed credits for product  
21 trade-ins.

22 Understatement of Product Trade-Ins

23 11. At fiscal year end for 1997 and 1998, defendant  
24 BROMBERG directed MPA's Warehouse Manager and other MPA personnel  
25 to delay checking into inventory product trade-ins that had been  
26 received at MPA prior to fiscal year end. Defendant BROMBERG  
27 caused these product trade-ins not to be included in MPA's  
28 reserve for product trade-ins checked into inventory prior to

1 year end for which corresponding credits had not yet been  
2 processed. By selectively not checking into inventory these  
3 product trade-ins until after year end and by not reserving for  
4 these product trade-ins, defendant BROMBERG fraudulently caused  
5 the amount of MPA's product trade-ins to be materially  
6 understated, and thus, MPA's income before income tax to be  
7 materially overstated in MPA's financial statements.

8 12. To conceal the fraud at fiscal year end, defendant  
9 BROMBERG also instructed MPA's Warehouse Manager, MPA's Trucking  
10 Coordinator, and other MPA personnel to ship to an off-site  
11 facility product trade-ins that had been received at MPA prior to  
12 year end, but not checked into inventory. Defendant BROMBERG  
13 thereby caused significant quantities of product trade-ins to be  
14 physically hidden from Eisner LLP during year end audits.

15 Understatement of Core Trade-Ins

16 13. During the year end audits for 1997 and 1998, Eisner  
17 LLP requested a schedule of returned cores that MPA had received  
18 and checked into inventory but for which MPA had not yet  
19 processed the corresponding credits.

20 14. To fraudulently manipulate MPA's financial statements,  
21 and to further conceal that fraud from MPA's auditors, defendant  
22 BROMBERG fraudulently caused returns to be deleted from the  
23 returns reserve schedules given to Eisner LLP. Defendant  
24 BROMBERG thereby fraudulently caused MPA's reserve for core  
25 trade-ins to be materially understated and MPA's income before  
26 income tax to be materially overstated.

27 15. On or about June 30, 1997, in Los Angeles County,  
28 within the Central District of California, and elsewhere,

1 defendant BROMBERG knowingly and willfully made materially false  
2 and misleading statements, and omitted material facts necessary  
3 to make the statements made, in light of the circumstances under  
4 which the statements were made, not misleading, in a report and  
5 document that was required to be filed with the SEC, namely, a  
6 Form 10-K for the fiscal year ended March 31, 1997.

7 Specifically, the Form 10-K:

8 (a) falsely reported:

9 (i) that MPA had net sales of \$86,872,000 for the  
10 year ended March 31, 1997,

11 (ii) that MPA's cost of goods sold was \$69,255,000  
12 for the year ended March 31, 1997,

13 (iii) that MPA had operating income of \$10,153,000 for  
14 the year ended March 31, 1997,

15 (iv) that MPA had income before income taxes of  
16 \$9,063,000 for the year ended March 31, 1997,

17 (v) that MPA recorded credits for trade-ins when the  
18 core was returned,

19 (vi) that net sales were reduced by product trade-  
20 ins, and

21 (vii) that core trade-ins were included in cost of  
22 goods sold;

23 (b) failed to disclose that MPA's reported financial  
24 performance and condition were overstated because of  
25 the fraudulent practices described above; and

26 (c) failed to disclose that MPA's financial statements had  
27 not been prepared in accordance with GAAP.

COUNT TWO

[15 U.S.C. §§ 78m(a), 78ff; 17 C.F.R. §§ 240.12b-20, 240.13a-1]

[False Statement in a Report Filed with the SEC]

16. The United States Attorney repeats and realleges paragraphs 1 through 14 of this Information as if fully set forth herein.

17. On or about June 29, 1998, in Los Angeles County, within the Central District of California, and elsewhere, defendant BROMBERG knowingly and willfully made materially false and misleading statements, and omitted material facts necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading, in a report and document that was required to be filed with the SEC, namely, a Form 10-K for the fiscal year ended March 31, 1998.

Specifically, the Form 10-K:

(a) falsely reported:

(i) that MPA had net sales of \$112,952,000 for the year ended March 31, 1998,

(ii) that MPA's cost of goods sold was \$91,317,000 for the year ended March 31, 1998,

(iii) that MPA had operating income of \$12,371,000 for the year ended March 31, 1998,

(iv) that MPA had income before income taxes of \$10,794,000 for the year ended March 31, 1998,

(v) that MPA recorded credits for trade-ins when the core was returned,

(vi) that net sales were reduced by product trade-ins, and

- 1 (vii) that core trade-ins were included in cost of  
2 goods sold;
- 3 (b) failed to disclose that MPA's reported financial  
4 performance and condition were overstated because of  
5 the fraudulent practices described above; and
- 6 (c) failed to disclose that MPA's financial statements had  
7 not been prepared in accordance with GAAP.

8  
9 DEBRA W. YANG  
United States Attorney

10  
11 JACQUELINE CHOOLJIAN  
Assistant United States Attorney  
12 Acting Chief, Criminal Division

13  
14 GREGORY J. WEINGART  
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